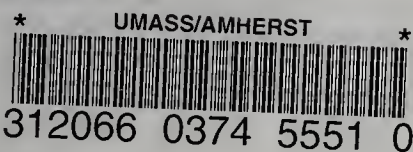


MASS. ED 14.2: R32



THE COMMONWEALTH OF MASSACHUSETTS  
BOARD OF REGENTS OF HIGHER EDUCATION



Compliance Unit  
150 Causeway Street, Room 308  
Boston, Massachusetts 02114

April 30, 1990

Randolph W. Bromery, Chancellor  
Board of Regents of Regents of Higher Education  
One Ashburton Place  
Boston, MA 02108

Dear Chancellor Bromery:

We have completed our review of the Board of Regents of Higher Education non-appropriated funds. The purpose of our review was to determine whether all non-appropriated funds assigned to the Board of Regents of Higher Education were adequately accounted for and were in compliance with the "Standards for the Expenditure of Trust Funds" which were adopted on May 9, 1989 by vote of the Board of Regents.

Our review procedure consisted of the following as they relate to non-appropriated funds:

1. Identification of all funds assigned to the Board of Regents.
2. Review of records to determine source, purpose, and current disposition of funds.
3. Tests of receipts and expenditures, where appropriate.
4. Other review procedure to test for the Board of Regents' compliance with applicable laws and regulations that may have a material affect.

Conclusion:

With the implementation of our recommendations, accountability of all non-appropriated funds assigned to the Board of Regents of Higher Education will be adequate and in accordance with the "Standards for the Expenditure of Trust Funds".

Sincerely,

*Joseph Casarano*

Joseph Casarano  
Director, Compliance Unit

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Board of Regents of Higher Education  
Trust Funds

Field Auditors: Deborah Spearman and Linda Chu

Audit Scope: Non-appropriated funds as of 12/31/89

Exit Conference Date: April 19, 1990

Exit Conference Attendees: Deborah Spearman, Linda Chu

Joseph Casarano, Joseph Finnegan

Evangeline Toomey, Ann von der Lippe

**Background:**

Resources for Higher Education come from many sources and the numerous mergers, dissolutions of boards and creation of a new Board within The Higher Education System, have resulted in the lack of current monitoring on a number of funds which have been assigned, mostly by default, to the current Board of Regents of Higher Education.

Most of the resources for the Board of Regents are recorded on the State's accounting system known as MMARS, Massachusetts Management Accounting and Reporting System. The fund code classification used to identify the sources of funds are:

Fund Code 010	General Funds
Fund Code 100	Federal Grant
Fund Code 200	Bond
Fund Code 300	Expendable Trust Account
Fund Code 400	Restricted Trust Account

**Fund Code 010 - General funds:** The general fund is the accounting entity that is used for the general operations of the Board of Regents. It includes financial transactions for all activities not required to be accounted for in separate funds.

**Fund Code 100 - Federal Grants:** Grants are awarded for specific purposes and are to be used according to the guidelines outlined on grant documents. Grants usually have beginning and ending dates for the programs. Unused portions of grants generally must be returned to the Grantor, unless an extension has been granted.

**Fund Code 200 - Bond Fund:** Capital appropriations from the sales of bonds.

**Fund Code 300 - Expendable Trust:** Account that is expendable. Expendable portion usually comes from interest earned on investments.

**Fund Code 400 - Restricted Trust Account:** Account that is for investment purposes only, no portion of the principal can be expended. Interest earned is deposited into a corresponding expendable trust account coded with a fund code 300.

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Board of Regents of Higher Education  
Trust Funds

Background (Cont.):

The Compliance Unit has identified 133 sources of funds assigned to the Board of Regents as of 12/31/89: 130 on MMARS, 3 not on MMARS. See Appendix A for detailed list. 84 of the 133 accounts are from state appropriations and are not covered by this review.

Our review concentrated on the 49 accounts (46 on MMARS and 3 not on MMARS) which did not result from state appropriations. After reviewing these accounts, they should be grouped as follows:

- 21 Fund 100 - Grants
- 16 Fund 300 - Expendable Accounts
- 9 Fund 400 - Restricted Accounts
- 3 Not on MMARS

Appendix B summarizes our recommendations.

Appendix C lists the balance of these 49 funds as of 6-30-89 and 12-31-89.

Appendix D is a thumbnail summary of our review of the available source documents which created the funds with detailed recommendations for the future accounting and disposition of each fund.











DEGREE PROGRAMS IN TEACHER EDUCATION  
ADMINISTRATION  
FUND  
PERSONNEL AND BUDGETING DATA BASE  
PURCHASE OF INVESTMENTS AND PAYMENTS  
PURCHASE OF INVESTMENTS AND PAYMENTS  
(6562) PAYMENTS  
PURCHASE OF INVESTMENTS AND PAYMENTS











## APPENDIX B

### SUMMARY OF RECOMMENDATIONS:

Funds that should be closed by returning balance to the General Fund:

Fund # 2	Development of On-Line Higher Education Personnel #7066-6004
Fund #21	Study of American Faculty as a Resource #7070-9729
Fund #26	RCN Trust Fund-Continuing Education #7105-0004
Fund #27	Computer Service Trust Fund - RCN (not on MMARS)

SUMMARY: 4 ACCOUNTS - \$136,196

AUDITEE'S RESPONSE: A letter has been sent to the Office of the Comptroller to deactivate these accounts (with the exception of Fund #26) and transfer the fund balances to the General Fund. The balance in Fund #26 has been transferred to the General Fund but the account will remain open for possible future appropriate activity.

Grants that should be returned to Grantor, account closed and purged:

Fund # 3	Program Strengthening Through Follow-up #7066-6005
Fund # 5	State College System Computer Bus #7106-6100
Fund # 6	Fund for Advancement of Education Payments #7501-6600
Fund # 7	Vocational Educational Payment #7501-6601
Fund # 8	Vocational Educational Program-73 #7501-6605
Fund # 9	Vocational Educational Program-75 #7501-6606
Fund #10	Joint Ed. Program for Mental Health Aides #7501-6611
Fund #13	Community Service and Continuing Ed. Program #7070-0015
Fund #16	Mass. Post Secondary Education Commission #7070-9720
Fund #17	Costs of Commission #7070-9721
Fund #18	Admin. Expenses Title VI-A & Title VII-A #7070-9722
Fund #19	Education Information Center Administration #7070-9726
Fund #20	Information Center Program #7070-9728

SUMMARY: 13 ACCOUNTS - \$45,721

AUDITEE'S RESPONSE: A letter has been sent to the Office of the Comptroller to deactivate these accounts and transfer the fund balances to the Grantor or the General Fund at the request of the Grantor.





APPENDIX B (CONT.)

Funds and Grants with zero balances that should be purged from the MMARS system:

Fund # 1 Exxon Education Foundation Grant # 7066-6001  
Fund #12 Food Stamp ET Allocation #7066-0112  
Fund #44 Mass Maritime Academy-Cont. Educ. Trust Fund #7107-0032  
Fund #45 Boston Cont. Education Trust Fund #7107-0022  
Fund #48 Regents' Program of Cont. Educ. Adm. Fund #7066-6002

SUMMARY: 5 ACCOUNTS - \$0

AUDITEE'S RESPONSE: A letter has been sent to the Office of the Comptroller to deactivate these accounts.

Funds that should be expended, then closed out and purged:

Fund #43 State Colleges Program of Continuing Studies #7107-0021  
Fund #46 Mass Board of Community College Cont. Educ. #7501-6545  
Fund #49 Career Training Trust Fund #7066-6099

SUMMARY: 3 ACCOUNTS - \$4,109

AUDITEE'S RESPONSE: The Board of Regents is in the process of expending these funds and subsequently deactivating these accounts.

Funds that are not currently being monitored but should be monitored to ensure that distributions are made as required by the trust agreement:

Funds #32, #33, and #34 Technical Education Funds #7070-6626,  
#7070-6607 & #707-6627  
Fund #35 & #36 Todd Teacher's College Fund #7070-6608 &  
#7070-6628  
Fund #37 Gustavus Hinkley Trust #7070-6622  
Fund #47 Regents Community College Scholarship Fund #7501-6612

SUMMARY: 7 ACCOUNTS - NON-EXPENDABLE \$378,100; EXPENDABLE \$312,325

AUDITEE'S RESPONSE: The Board of Regents is currently monitoring these funds. Fund #37 has been reassigned to Bridgewater State College.



APPENDIX B (CONT.)

Fund that should be transferred to the Treasurer's Office:

Fund #33 Technical Educational Fund US Grant 6562 #7070-6607

SUMMARY: 1 ACCOUNT - \$16,425

AUDITEE'S RESPONSE: We are working with the Treasurer's Office to transfer this fund to the Treasurer's Office.

Fund that should be updated as to name:

Fund # 11 Title II - Education for Economic Security Act should be changed to The Dwight D. Eisenhower Mathematics and Science Education Act.

SUMMARY: 1 ACCOUNT - \$187,324

AUDITEE'S RESPONSE: We have requested an account name change from the Executive Office of Administration.

Funds that should be reclassified to the Mass. Department of Education.

Fund #29 & #28 Elizabeth Stevens Fund #7070-6624 & #7070-6604

Fund #30 & #31 Frank S. Stevens School Fund #7070-6605 & #7070-6625

Fund #38 Mass. School Fund #7070-6629

Fund #39 & #40 Mary A. Case Fund #7070-6611 & #7070-6621

Fund #41 & #42 Millicent Library Fund #7070-6613 & #7070-6623

Note: As of April 1990 the Business Manager of the Mass. Department of Education has requested the reclassification of the above accounts.

SUMMARY: 9 ACCOUNTS - NON-EXPENDABLE \$5,179,873; EXPENDABLE \$31,317





## APPENDIX B (CONT.)

Funds that should be reported to the Comptroller through MMARS:

Fund #24     Licensing Fee

Fund #25     Board of Regents Health & Welfare Trust Fund

SUMMARY: 2 ACCOUNTS - \$1,376,788

AUDITEE'S RESPONSE: Fund #24 is now on MMARS. Fund #25 may be a non-reportable entity through MMARS and is being researched by the Comptroller.

Funds that that should be earning interest:

Fund #22     Regents Extraordinary Expense Fund #7066-6003

Fund #23     Regents Central Service Trust Fund #7066-6006

SUMMARY: 2 ACCOUNTS - \$196,805

NOTE: As of March 1990, these accounts have been reclassified by the Comptroller and will be earning interest. Interest of \$24,378.51: \$2,540.45 to Fund 22 and \$21,838.06 to Fund 23 has been credited to said accounts to retroactively credit the Funds for interest since July 1987.

### GENERAL RECOMMENDATIONS:

#### Record Retention:

Create a central location within the Board of Regents Fiscal Affairs Office to retain copies of the documents supporting all Trust and Grant Funds.

AUDITEE'S RESPONSE: We agree with the audit finding and are in the process creating a central location for all supporting documentation for Trust and Grant funds.

#### Development of a Policy & Procedures Manual:

Develop a written set of Policy and Procedures for the handling of all Trust and Grant Funds. The procedures should, at a minimum, contain an accurate listing of active funds, guidelines for distribution to recipients, and close out methodology.

AUDITEE'S RESPONSE: We agree with the audit finding and are in the process of developing a Policy and Procedure's Manual.





## APPENDIX B (CONT.)

Funds subject to detailed testing:

Of the 49 accounts that were reviewed, a detailed audit was performed on seven active accounts. The funds audited were:

Fund # 4	Sheeo/Ford Grant for Collaboration Degree Program in Teacher Education. #7066-0113
Fund #11	Title II - Education for Economic Security Act- The Eisenhower Mathematics and Science Education #7066-6007
Fund #14	Student Incentive Grant Program -SSIG #7070-0017
Fund #15	Douglas Scholarship #7070-0018
Fund #22	Regents Extraordinary Expense Fund #7066-6003
Fund #23	Regents Central Service Trust Fund #7066-6006
Fund #24	Licensing Fee

Based upon our test performed, we noted no exceptions in the accounting for the expenditures for the above funds. However, an exception was noted with compliance with a regulation under the Douglas Scholarship Fund covering the requirements for repayment when the scholarship becomes a loan, Section 653.42. We noted two students who had dropped out of the program, but implementation of the repayment status had not begun.

### RECOMMENDATION:

The requirements of section 653.42 be implemented for the recipients who have left the program.

AUDITEE'S RESPONSE: We agree with the audit finding and are proceeding with the implementation of the requirements of Section 653.42.

Fund #25, Board of Regents Health & Welfare Trust Fund, is audited by the external accounting firm of Kersner, Marcus & Co. For fiscal years 1988 and 1989, no exceptions were noted and no additional audit work was done by the Compliance Unit.



# APPENDIX C

## BOARD OF REGENTS NON-APPROPRIATED FUNDS

### GRANTS

<u>Fund</u> <u>No.</u>	<u>NAME</u>	<u>APPROP #</u>	<u>BALANCE AS OF</u> <u>06/30/89</u>	<u>BALANCE AS OF</u> <u>12/31/89</u>
1.	Exxon Education Founda- tion Grant (300)	7066-6001	-0-	-0-
2.	Development of On-Line Higher Education Pers. & Budget Data Base (300)	7066-6004	26	26
3.	Program Strengthening Through Follow-Up (300)	7066-6005	619	619
4.	Sheeo/Ford Grant For Collaborative Degree Program In Teacher Educa- tion (300)	7066-0113	18,573	20,073
5.	State College System Computer Bus (300)	7101-6100	14,870	14,870
6.	Fund For Advance Educa- tion Pymts. (300)	7501-6600	21	21
7.	Vocational Education Pymts. (300)	7501-6601	776	776
8.	Vocational Education Program-73 (300)	7501-6605	995	995
9.	Vocational Education Program-75 (300)	7501-6606	50	50
10.	Joint Education Program For Mental Health Aides (300)	7501-6611	915	915
11.	Title II-Education for Economic Security Act (100)	7066-6007	139,107	187,324





NON-APPROPRIATED FUNDS  
(CONT.)

GRANTS

<u>FUND</u> <u>NO.</u>	<u>NAME</u>	<u>APPROP_#</u>	<u>BALANCE AS OF</u> <u>06/30/89</u>	<u>BALANCE AS OF</u> <u>12/31/89</u>
12.	Food Stamp ET Allocation (Alloc. 4407-9050) (100)	7066-0112	-0-	-0-
13.	Community Service and Continuing Education Program (100)	7070-0015	55	55
14.	State Student Incentive Program (100)	7070-0017	-0-	-0-
15.	Douglas Scholarship (100)	7070-0018	14,830	14,830
16.	Mass. Post Secondary Education Commission (100)	7070-9720	1	1
17.	Costs of Commission Alloc of 7070-9720 (100)	7070-9721	24,527	24,527
18.	Admin. Exp. Title VI-A & Title VII-A Alloc of 7070-9720 (100)	7070-9722	450	450
19.	Education Information Center Administration (100)	7070-9726	2,427	2,427
20.	Information Center Program (100)	7070-9728	15	15
21.	Study of America Faculty as Resource Avail. for Mtg. Emerging Issues in Higher Ed. (100)	7070-9729	478	478





NON-APPROPRIATED FUNDS  
(CONT.)

EXPENDABLE & RESTRICTED

<u>FUND</u> <u>NO.</u>	<u>NAME</u>	<u>APPROP. #</u>	<u>BALANCE AS OF</u> <u>06/30/89</u>	<u>BALANCE AS OF</u> <u>12/31/89</u>
22.	Regents Extraordinary Exp. Trust (300)	7066-6003	20,318	17,135
23.	Regents Central Service Trust (300)	7066-6006	172,005	179,670
24.	Licensing Fee (Not on MMARS)		6,243	4,143
25.	Health & Welfare Trust Fund (Not on MMARS)		1,612,293	1,372,645
26.	Regents Computer Network Trust Fund - Cont. Educ. (300)	7105-0004	36,975	36,975
27.	Computer Service Trust Fund - RCN (Not on MMARS)		96,240	98,717
28.	Elizabeth R. Stevens Fund Purch. & Pymts of Investments (300)	7070-6604	16,811	16,811
29.	Elizabeth R. Stevens Fund Purch. of Invest- ments (400)	7070-6624	24,873	24,873
30.	Frank S. Stevens School Fund Purch. & Pymts of Investments (300)	7070-6605	2,812	2,812
31.	Frank Stevens School Fund Purch. of Invest- ments (400)	7070-6625	25,000	25,000
32.	Technical Education Fund Commonwealth Endowment (6561) Purch. of Invest- ments (400)	7070-6626	142,000	142,000
33.	Technical Education Fund U S Endowment (6562) Pymts (300)	7070-6607	16,425	16,425
34.	Technical Education Fund U S Endowment (6562) Purch of Investments (400)	7070-6627	219,000	219,000



NON-APPROPRIATED FUNDS  
(CONT.)

EXPENDABLE & RESTRICTED

<u>FUND NO.</u>	<u>NAME</u>	<u>APPROP #</u>	<u>BALANCE AS OF 06/30/89</u>	<u>BALANCE AS OF 12/31/89</u>
35.	Todd Teacher's College Fund (300)	7070-6608	286,500	286,500
36.	Todd Teacher's College Fund Purch of Invest- ments (400)	7070-6628	12,100	12,100
37.	Gustavus A. Hinkley Free Scholarship Fund (400)	7070-6622	5,000	5,000
38.	Mass. School Fund (400)	7070-6629	5,000,000	5,000,000
39.	Mary Case Fund (300)	7070-6611	7,447	7,447
40.	Mary Case Fund (400)	7070-6621	30,000	30,000
41.	Millicent Library Fund (300)	7070-6613	4,247	4,247
42.	Millicent Library Fund (400)	7070-6623	100,000	100,000
43.	Division of State Col- lege Program of Contin- uing Studies (300)	7107-0021	47	47
44.	Mass. Maritime Academy Continuing Education trust	7107-0032	-0-	-0-
45.	Boston Continuing Educa- tion Trust Fund (300)	7107-0022	-0-	-0-
46.	Mass. Board Comm. Col- lege Continuing Educa- tion Trust (300)	7501-6545	1,116	1,116
47.	Reg. Comm. College Scholarship Fund Subj. To Appropriation (300)	7501-6612	9,400	9,400
48.	Program of Continuing Education Administration (300)	7066-6002	-0-	-0-
49.	Career Training Trust (300)	7066-6009	2,946	2,946





## APPENDIX D

APPENDIX D: thumbnail summaries of our review of the available source documents which created the funds is available upon request.





